

## The State Shortfall, School Budgets and Sifting through Efficiency Studies

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## State Funding Shortfall

	2010-11 Biennium	2012-13 Prospects
Revenue Available for Certification*	\$83.1	\$80.9
Revenue Shortfall		(\$4.3)
Stimulus Funds	\$7.9	
Fund Balances	\$3.0	
Total	\$94.0	\$76.6
<b>Preliminary Shortfall</b>		<b>\$17.4</b>
Increased Costs for FSP		\$5.7
Increased Costs for Other Areas		\$3.0
5 % Reduction Savings Carried Forward		(\$1.25)
<b>Total Shortfall</b>		<b>\$24.85</b>

\*Includes General Fund and Property Tax Relief Fund

## The Shortfall and its Impact on Public Education

*If proportioned out based on each state agency's share of the overall general fund budget, public education could expect to see a \$11 billion reduction based on a shortfall of this size.*

## Methods for Reducing the Impact of the Shortfall on Public Education

- Implement proportionally larger cuts to other areas of state government
  - Fully implementing the 10 percent reductions that were called for in agency budget instructions would produce \$3.75 billion in savings across all agencies.
  - Significant additional cuts would have to be found in order to reduce public education's share of the shortfall.

## Methods for Reducing the Impact of the Shortfall on Public Education

- Implement a payment delay for the FSP
  - One delay (from August to September of the next biennium) would delay roughly \$2 billion in cost.
  - A second delay (from July to September of the next biennium) would delay an additional \$1.5 billion.
  - These strategies are likely to reduce the overall shortfall and not be credited directly to public education.

## Methods for Reducing the Impact of the Shortfall on Public Education

- Spend the Rainy Day Fund
  - The comptroller has indicated that \$9.4 billion in Rainy Day Funds are available for certification.
  - Some lawmakers had predicted using half of the fund.
  - More recent rhetoric is around protecting the fund:

*"We will prioritize what's important in this state. We will fund those. And we will craft a budget that meets those revenue projections and not raise taxes nor get into the rainy day fund," Perry said. "And that's been a consistent message for at least a year and a half."*

--Governor Perry, January 10, 2011

## Methods for Reducing the Impact of the Shortfall on Public Education

- Hope for an improved revenue estimate from the comptroller
  - If, over the next three months, economic conditions improve sufficiently the comptroller could estimate that additional funds are available for certification.
  - The current estimate is already predicated on a recovery—data would have to indicate that the speed of the recovery were increasing.

## Methods for Reducing the Impact of the Shortfall on Public Education

- Hope that estimates of the cost of the FSP shrink (due to more optimistic assumptions of value growth or slower than expected student enrollment growth).
  - Each 1 percent increase in property value growth reduces the cost of the FSP by \$170 million per year.
  - New information on property values should be available on March 1.
  - The Legislature is not bound by the comptroller's estimates.

## Impact of Shortfall on School Budgets

- The calculated shortfall is between 20 and 25 percent of total general fund revenue.
    - *“It is impossible to balance this budget without making cuts in Article 2 and Article 3,” the sections of the budget that funds health and human services programs and public education.*
- Chairman Ogden

## School Budgets

- Legislative options for school funding reductions:
  - Elimination / reduction of grant programs and reduced textbook funding could produce roughly \$1.5 billion in savings, including
    - DATE
    - Pre-K
    - Student Success Initiative
    - The Technology Allotment
  - Any remaining cuts must come from the foundation school program

## School Budgets

- FSP Reductions
  - Increasing the compression percentage
    - Requires the legislature to vote to increase the percentage in the appropriations bill.
    - No additional legislation required.
    - Would force school districts to adopt higher maintenance and operations tax rates to maintain current levels of funding.
    - Each penny of increase produces \$170 million in reduced state costs (shift to local taxes).
    - Failure to adopt the higher rate would result in significant losses in state funding.
    - No TRE required.

## School Budgets

- FSP Reductions
  - Reduce / Eliminate Target Revenue
    - State spends \$2.3 billion per year on target revenue
    - Would put all districts back “on formula”.
    - Would exempt roughly 20 percent of lowest-funded districts from reductions.
    - Could require legislation.

## School Budgets

- FSP Reductions
  - Proration
    - Apportions out the shortfall according to districts' share of state's property wealth.
    - Designed to occur in the second year of the biennium.
    - As currently written, districts would receive withheld state aid in settle-up payments the following year.

## School Budgets

- FSP Reductions
  - Reductions Based on Efficiency Studies
    - All Funds vs General Fund look
    - Which functions to include
    - Which variables to include in model
    - How / whether academic performance is included in efficiency
    - Issue of incorporation into school finance formulas

## School Budgets

- FSP Reductions
  - Other approaches
    - Proportional reductions
    - Per student reductions
    - Combinations of all of the above

## The Politics of Budget Cutting

- Where are the voters?
  - 70 percent say lawmakers should not cut school spending
  - 61 percent say they want no spending cuts on health care programs for children and low- to moderate-income families.
  - 61 percent of voters say they oppose raising the class size limit.
  - A majority say they prefer budget cuts to tax increases.

---poll of 819 Texans, including 716 registered voters, was conducted for a consortium of Texas newspapers Dec. 28–Jan. 5 by Blum & Weprin Associates.

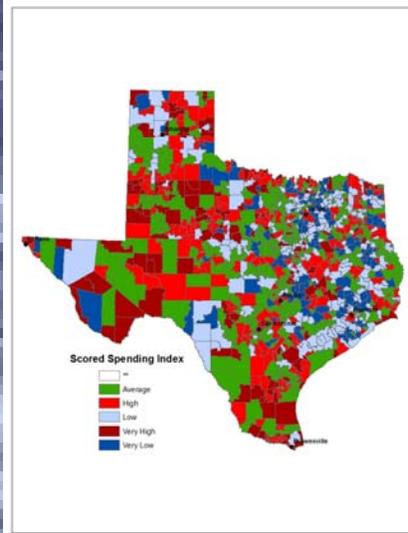
## FAST Results

- Spending Measure
  - Groups districts based on propensity score analysis using
    - Size
    - Demographics
    - Geographic regional cost factor
  - Although the model groups on these factors, dissimilar districts can be grouped based on combinations of factors
  - Compares adjusted spending rather than actual spending
  - Uses “All Funds” operating, minus food and transportation

## FAST Results

- Academic Performance Measure
  - Based on comparisons of expected growth in reading and mathematics performance based on statistical model to actual performance.
  - Uses individual student performance data.
  - Rank orders district based on growth.

### FAST Spending Category



### Region 1 FAST Spending Indices

Index	Count within Region 1
Very Low	0
Low	1
Average	8
High	18
Very High	10



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